



Briefing: Revised baseline savings package

Date submitted: 12 February 2024

Tracking number: BRF-4237

Security level: Sensitive

MfE priority: Urgent

Actions sought from Ministers		
Name and position	Action sought	Response by
Hon Chris BISHOP Minister Responsible for RMA Reform Hon Simon WATTS Minister of Climate Change Hon Penny SIMMONDS Minister for the Environment	Review and provide direction needed to finalise the baseline savings package being sent to the Minister of Finance on 16 February.	Tuesday 13 February

Actions for the Minister's office staff
Return the signed briefing to the Ministry for the Environment (ministerials@mfe.govt.nz).

Appendices and attachments
1. Revised baseline savings package – 13 February 2. Recent Environmental Legal Assistance Fund applications and panel decisions

Key contacts at the Ministry for the Environment			
Position	Name	Cell phone	First contact
Chief Advisor	Simon King	022 047 5541	
Secretary for the Environment	James Palmer	022 059 8100	✓

Minister's comments

Revised baseline savings package

Key messages

1. On 21 December 2023, the Minister of Finance wrote to you setting the Ministry for the Environment (the Ministry) a baseline savings target of \$49.1m per annum. The letter also requests additional targeted savings of at least \$100m over the four-year forecast period relating to the Waste Disposal Levy and Waste Minimisation Fund.
2. You met with officials on 31 January to discuss our initial advice on how the Ministry can meet its savings targets [BRF-4127 refers]. Following this meeting we have also provided further advice on:
 - the Ministry's existing work programme and additional non-departmental savings options [BRF-4168 refers]
 - realising targeted savings from the waste levy [BRF-4169 refers]
 - scaling the Māori Climate Platform initiative (Minister of Climate Change only) [BRF-4150 refers]
 - funding distributed to Environment Non-Government Organisations (Minister for the Environment only) [BRF-4162 refers]
 - the RM budget bid (Minister Responsible for RMA Reform and Minister for the Environment only) [BRF-4083 refers].
3. This advice now presents a revised baseline savings package that reflects your initial direction. We are seeking decisions needed to finalise the savings package to be reported back to the Minister of Finance on 16 February. The response will also include your preferred approach to making targeted savings from the waste levy and the invited RM reform budget bid.
4. We are available to meet with you, individually or collectively, to discuss this advice.

Recommendations

We recommend that you:

- a. **note** the changes to the revised baseline savings package at **Attachment 1**, made in line with your collective direction:
 - Kaipara Moana Remediation fully removed
 - Climate Resilience for Māori in last two years only
 - Community Environment Fund fully included
 - Regional planning implementation ENGO pilot funding fully included (new item)
 - Environmental Legal Assistance Fund fully included (new item)
 - Contaminated Sites Remediation Fund increased in year two (waste levy dependent)
 - the Ministry's non-levy funded waste minimisation work programme included in last two years only (waste levy dependent)
 - the Ministry's departmental savings reduced in year one only
- b. **direct** any further changes to the revised baseline savings package
- c. **note** the revised baseline savings package is dependent on changing the scope of the Waste Disposal Levy, which will require legislative amendments to the Waste Minimisation Act 2008
- d. **note** the revised baseline savings package has fallen slightly below the \$49.1m annual target in the last three years of the forecast period
- e. **agree** your preferred approach for meeting this shortfall:
 - requesting the Minister of Finance removes Tyre stewardship fee disbursements from the Ministry's eligible baseline target calculation which would reduce the savings target by \$4.8m per annum (**preferred**)

Yes | No
 - scaling back Kaipara Moana Remediation rather than removing it completely

Yes | No
 - asking the Climate Change Commission to reduce their baseline by 7.5%

Yes | No

- increasing the proportion of departmental savings made by the Ministry

Yes | No

- f. **note** we will use this direction to finalise the baseline savings package to be sent by the Minister for the Environment to the Minister of Finance on 16 February
- g. **note** we are also preparing report backs to the Minister of Finance on targeted savings from the waste levy and the RM budget bid by 16 February
- h. **note** that we are working with your offices to arrange a joint meeting to discuss this advice with officials.

Signatures



James Palmer

Secretary for the Environment

Hon Chris BISHOP

Minister Responsible for RMA Reform

Hon Simon WATTS

Minister of Climate Change

Hon Penny SIMMONDS

Minister for the Environment

Revised baseline savings package

Purpose

1. This briefing presents the Ministry's revised baseline savings package that reflects your initial direction. It is partly dependent on your preferred option for realising targeted savings by amending the Waste Minimisation Act 2008 to widen the scope of the Waste Disposal Levy (the waste levy).
2. We are seeking decisions needed to finalise the savings package to be reported back to the Minister of Finance on 16 February.

Analysis and advice

3. On 21 December 2023, the Minister of Finance wrote to you setting the Ministry for the Environment (the Ministry) a baseline savings target of \$49.1m per annum. The letter also requests additional targeted savings of at least \$100m from the waste levy over the four-year forecast period.
4. You met with officials on 31 January to discuss our initial advice on how the Ministry can meet its savings targets [BRF-4127 refers]. Following this meeting we have also provided further advice on:
 - the Ministry's existing work programme and additional non-departmental savings options [BRF-4168 refers]
 - realising targeted savings from the waste levy [BRF-4169 refers]
 - scaling the Māori Climate Platform initiative (Minister of Climate Change only) [BRF-4150 refers]
 - funding distributed to Environment Non-Government Organisations (Minister for the Environment only) [BRF-4162 refers]
 - the RM budget bid (Minister Responsible for RMA Reform and Minister for the Environment only) [BRF-4083 refers].

Proposed changes to the baseline savings package

5. We have used your direction to revise the Ministry's baseline savings package at **Attachment 1**. All changes from the initial advice are highlighted in yellow.
6. Each change we have made is described and indicated in bold in the 'Revised savings' row of the tables on the next page.

Fully remove Kaipara Moana Remediation from the savings package

	2024/25	2025/26	2026/27	2027/28
Full appropriation	\$11.25m	\$14.4m	\$14.45m	\$13.9m
Previous advice	nil	nil	\$10m	\$10m
Revised savings	nil	nil	nil	nil

7. This appropriation is limited to remediating Kaipara Moana by halting degradation and working towards more productive, sustainable, and high-value land use within the Kaipara catchment.
8. \$100m has been politically committed to the project which is matched in funding or effort by councils (Auckland Council and Northland Regional Council) and the community (farmers, growers and mana whenua carrying out remedial works).
9. \$14m has been drawn down, leaving \$86m of the committed funds unspent. Withdrawal of funding for this project will have a more significant impact than the value saved because the funding is matched with equivalent contributions.
10. Our advice in BRF-4127 and BRF-4168 recommended taking \$10m in the last two years of the forecast period to allow the parties time to seek alternative funding.
11. This has now been removed in line with direction from the Minister for the Environment. This creates a large gap at the end of the forecast period where there are less options to realise savings.

Savings from Climate Resilience for Māori initiative in last two years only

	2024/25	2025/26	2026/27	2027/28
Full appropriation	\$6m	\$10m	\$10m	\$10m
Previous advice	nil	\$10m	\$10m	\$10m
Revised savings	nil	nil	\$10m	\$10m

12. The development of a Māori climate platform is action 2.1 in the first emissions reduction plan (ERP) and action 3.3 in the national adaptation plan (NAP). It is, in part, a response to ministerial requirements set out under the Climate Change Response Act 2002 (CCRA) and recommendations by the Climate Change Commission (CCC).

s 9(2)(f)(iv)

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Increased savings from the Community Environment Fund in year two

	2024/25	2025/26	2026/27	2027/28
Full appropriation	\$1.428m	\$2.172m	\$2.172m	\$2.172m
Previous advice	nil	nil	\$2.172m	\$2.172m
Revised savings	\$2.172m	\$2.172m	\$2.172m	\$2.172m

16. The community environment fund is a multi-year funding stream administered by the Ministry to support education and involvement in community-level environmental initiatives.
17. The funding was approved for five years (2025-2030) to support two organisations, mainly Para Kore and Environment Hubs Aotearoa. The funding provided to Environment Hubs Aotearoa (\$1.1m per annum) is redistributed to 22 Environment Centres to support operational costs and leverage a considerable volunteer effort.
18. In line with direction from the Minister for the Environment to end this funding earlier, we have included this in the revised savings package from 2024/25. s 9(2)(f)(iv)

Regional planning implementation (NGO) added and fully included (new item)

	2024/25	2025/26	2026/27	2027/28
Full appropriation	\$0.4m	\$0.4m	nil	nil
Previous advice	nil	nil	nil	nil
Revised savings	\$0.4m	\$0.4m	nil	nil

19. There are existing contracts with the Environmental Defence Society (EDS) and Forest & Bird for \$200,000 each in the first two years of the forecast period. This is for a pilot programme to support early participation in plan-making to resolve concerns and help avoid more costly and litigious processes at a later stage. The remainder of this funding has already been returned via the mini-Budget.

20. Following direction from the Minister for the Environment, this funding will now also be stopped. It has been fully included in the revised savings package.

Environmental Legal Assistance Fund added and fully included (new item)

	2024/25	2025/26	2026/27	2027/28
Full appropriation	\$0.6m	\$0.6m	\$0.6m	\$0.6m
Previous advice	nil	nil	nil	nil
Revised savings	\$0.6m	\$0.6m	\$0.6m	\$0.6m

21. The Environmental Legal Assistance Fund is for not-for-profit groups advocating matters of environmental public interest. Funding is available to cover costs associated with presenting cases before the courts. The maximum grant is \$50,000 (excluding GST) per group per application for any one case.
22. This Fund has been administered by the Ministry since 2001. Funding decisions are made by an independent advisory panel. It was not included in the initial baseline cost savings package. However, in line with direction on other ENGO funding, you could also consider adding the Environmental Legal Assistance Fund to the revised baseline cost savings package.
23. A list of the applications and funding decisions made by the independent advisory panel over the last three years is at **Attachment 2** for your information.

Contaminated Sites Remediation Fund fully included (waste levy dependent)

	2024/25	2025/26	2026/27	2027/28
Full appropriation	\$4.628m	\$5.128m	\$2.628m	\$2.628m
Previous advice	nil	nil	\$2.628m	\$2.628m
Revised savings	nil	\$5.128m	\$2.628m	\$2.628m

24. The Contaminated Sites Remediation Fund (CSRF) provides councils with funding for the investigation, management, and remediation of contaminated sites to fulfil their obligations to manage contaminated land under the Resource Management Act 1991.
25. We had previously recommended savings of \$2.628m annually in the last two years of the forecast period only. Expanding the scope of the Waste Disposal Levy would enable it to be used to fully replace the CSRF [BRF-4169 refers].
26. We have added an additional year in 2025/26 to the revised savings package. Realising saving in 2024/25 is also possible but dependent on timely amendments being made to the Waste Minimisation Act 2008.

Funding some of the Ministry's non-levy funded waste minimisation work programme in last two years only (waste levy dependent)

	2024/25	2025/26	2026/27	2027/28
Full appropriation	\$16.3m	\$16.5m	\$7.6m	\$7.6m
Previous advice	targeted	targeted	targeted	targeted
Revised savings	nil	nil	\$7.6m	\$7.6m

27. Expanding the scope of the waste levy will enable it to offset other Crown funded activities, potentially including the Ministry's non-levy funded waste minimisation work programme.
28. Treasury have indicated they may support including this offset within the Ministry's baseline savings package if net savings from the waste levy, once this is removed, are at least \$100m as requested by the Minister of Finance.
29. This offset has accordingly been added for the last two-years of the forecast period, in part to help fill in the gap created by removing Kapira Moana remediation from the revised savings package.

Reducing the Ministry's departmental savings in year one only

30. The revised savings package has created a surplus in year one.
31. The savings target of \$49.1m has been met by reducing the Ministry's departmental savings by \$2.628m. This has been applied as an even split across each of the themes in the initial savings package [BRF-4127 refers].
32. Even after the impact of the mini-budget and baseline savings targets, our capacity will continue to decline in outyears as a result time-limited funding ending. This change will help smooth the size of the FTE reduction required in 24/25 but it will still need to be accounted for later in the forecast period.

Other technical changes from the initial saving package

33. Two other changes have been made to the revised cost savings package have been highlighted for noting:
- A redistribution in the departmental savings split between the Climate Change and Waste minimisation themes – this is to fix an internal error in how this funding was split and does not affect total savings.
 - Increasing the contribution from the Climate Change Commission from \$2.8m to \$3m per annum – this is to fix an error which should have recommended that this budget funding be returned in full [BRF-4168 refers].

Options for meeting the shortfall in the revised baseline savings package

34. Implementing the changes above takes the revised baseline savings package below the \$49.1m annual target in the last three years of the forecast period:

	2024/25	2025/26	2026/27	2027/28
Revised total	\$49.1m	\$47.2m	\$47.5m	\$47.5m
Target	\$49.1m	\$49.1m	\$49.1m	\$49.1m
Shortfall	-	-\$1.5m	-\$1.6m	-\$1.6m

35. We are now seeking direction on your preferred option or options for meeting this shortfall to finalise the baseline savings package for the Minister of Finance.

36. Further changes may be needed if you direct further changes to those above.

Reducing the baseline savings target (preferred)

37. The Ministry's baseline savings target was set at \$49.1m per annum.

38. Our eligible baseline included the Waste Disposal Levy (legislatively hypothecated and identified for significant targeted savings) and Product Stewardship Scheme (pass-through only), despite a substantial portion of this being funding to third parties. As these areas have limited savings options, the Ministry has contributed more than 7.5% of its baseline to meet the target.

39. Our preferred option to meet the shortfall is to ask the Minister of Finance to remove the Tyre stewardship fee disbursements from the Ministry's eligible baseline target. This would reduce the target by \$4.8m to \$44.3m per annum.

40. As per previous advice, including the Waste Disposal Levy was also double counted for savings purposes by being included within the Ministry's eligible baseline while also being the subject of targeted savings.

Scaling Kaipara Moana Remediation rather than removing it completely

41. Removing Kaipara Moana remediation from the baseline savings package left a large gap at the end of the forecast period where there are less options to realise savings. We have identified two potential scaling options for consideration:

	2024/25	2025/26	2026/27	2027/28
Meeting shortfall	-	\$1.5m	\$1.6m	\$1.6m
Scaling by 7.5%	-	\$1.08m	\$1.09m	\$1.04m

42. We have not yet talked to Kaipara Moana about Coalition Government's fiscal responsibility programme. Scaled savings could potentially be included in the revised package reported back to the Minister of Finance, contingent on this engagement taking place.

Asking the Climate Change Commission to reduce its baselines by 7.5%

43. No savings were included in initial savings package from the Environmental Protection Authority (EPA). The EPA has been operating in deficit since 2017/18 and alternatively offered to return to a break-even budget in lieu of cost savings. This will be very challenging for the EPA to achieve.
44. Savings from the Climate Change Commission (CCC) related to returning budget funding appropriated for an agricultural emissions pricing advisory function that was not subsequently delegated by Cabinet. Further potential savings could be found by asking the CCC to find 7.5% of savings from their remaining baselines.
45. Potential savings from this option are outlined in the table below:

	2024/25	2025/26	2026/27	2027/28
CCC 7.5%	\$1.21m	\$1.21m	\$1.21m	\$1.21m

46. We have not yet talked to CCC about the feasibility of making these savings. Scaled savings could potentially be included in the revised package reported back to the Minister of Finance, contingent on this engagement taking place.

Increasing the proportion of departmental savings made by the Ministry

47. As per previous advice, the Ministry is already projecting to significantly reduce in size because of time-limited funding expiring, the mini-Budget, and the baseline savings target.
48. We do not recommend meeting the shortfall by increasing the proportion of departmental savings made by the Ministry.

Next steps

49. This advice provides further information to inform your response back to the Minister of Finance in addition to that provided in:
- BRF-4083 Budget 2024 Initiative: Resource management reforms - replacement
 - BRF-4127 Budget 2024 Initial Baseline Exercise
 - BRF-4150 Māori Climate Platform Initiative
 - BRF-4162 Aide memoire: Overview of Key Environmental Non-Government Organisations (ENGOS)
 - BRF-4168 Further information on baseline savings
 - BRF-4169 Further information on waste levy.

50. A joint meeting is being arranged for midday Tuesday 13 February to discuss and agree the final response to the Minister of Finance.
51. We will use the direction at this meeting to finalise the package to be sent back to the Minister of Finance by 16 February.